Calendar No. 554

97TH CONGRESS
2d Session

SENATE

REPORT
No. 97-391

AFRICAN DEVELOPMENT FUND

MAY 12 (legislative day, MAY 11), 1982.—Ordered to be printed

Mr. PERCY, from the Committee on Foreign Relations, submitted the following

REPORT

[To accompany S. 2398]

[Including cost estimate of the Congressional Budget Office]

The Committee on Foreign Relations, to which was referred the bill (S. 2398) to provide for increased participation by the United States in the African Development Fund, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

PURPOSE OF THE BILL

The purpose of the bill is to authorize United States participation in the third replenishment of the resources of the African Development Fund (AFDF), a multilateral development institution which provides concessional loans to the poorer nations of Africa for development purposes. The third replenishment of the AFDF is scheduled for the three year period 1982–1984, and will total $1,060 million. The United States share of the replenishment will be $150 million (14.2 percent of the total replenishment), which the Administration proposes to contribute in three annual installments of $50 million each in fiscal years 1983, 1984, and 1985. S. 2398 would authorize appropriations to provide the U.S. contribution of $150 million to the third replenishment of the AFDF.

COMMITTEE ACTION

The Committee on Foreign Relations met in open session on May 6, 1982, and ordered S. 2398 reported with two amendments. One amendment would limit the authorization of appropriations for the first year of the replenishment, fiscal year 1983, to $50 million, which is the

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amount requested by the Administration. The other amendment is a technical amendment to clarify a reference in the bill. Senators recorded in favor of reporting the bill with amendments were: Helms, Lugar, Mathias, Kassebaum, Pressler, Pell, Biden, Glenn, Tsongas, Dodd and Percy.

BACKGROUND INFORMATION

The African Development Fund was established in 1974 as part of the African Development Bank Group, which also includes the African Development Bank, established by African nations in 1964 to provide development loans at near-market rates, and the Nigeria Trust Fund, established in 1976 with a portion of Nigerian oil revenues. AFDF lending focuses on the African countries with the lowest per capita income, that is, less than $280 per capita GNP in 1976. African countries with 1976 per capita GNP over $550 do not receive AFDF loans except in very rare cases. East African and West African countries receive the bulk of AFDF loans.

AFDF lending is used primarily to boost agricultural production in Africa, and for projects which serve the rural agricultural sector. Examples include: rural electrification, lines of credit to agricultural development banks, upgrading of rural roads, and potable water supplies and sewerage facilities.

The United States has major security and economic interests in many of the African countries assisted by AFDF lending, and, as Deputy Secretary of Treasury R. T. McNamar noted, "We also have a strong humanitarian interest in helping to reduce poverty among the poorest people in the world's least developed continent." Per capita income in the region in 1979, excluding Nigeria, was $329. Assistant Secretary of Treasury Marc E. Leland has testified on the living conditions in these countries:

> Death rates in Africa are the highest in the world and the life expectancy of 47 years is the lowest. Fifteen to twenty percent of all children die by their first birthday and only 25 percent of the people are able to have clean water.

United States participation in the replenishment of the AFDF is consistent with the Administration's assessment of the multilateral development banks (United States Participation in the Multilateral Development Banks in the 1980s, Department of the Treasury, Washington, D.C., February 1982), and within budgetary guidelines established by the Administration and by the Congress. Assistant Secretary Leland testified that "one of the cardinal principles of the assessment is that concessional assistance should be targeted toward the poorest and least developed countries."

The U.S. share of the third replenishment of the AFDF ($150 million for the three year replenishment) is a decrease in real dollars from the U.S. contribution to the second replenishment ($125 million over three years) and a reduction in the U.S. share of the total replenishment: the U.S. will provide 14.2 percent of the third replenish-

ment, but provided 16.5 percent of the second replenishment. Japan will provide 13.3 percent of the third replenishment; the European Community countries, 34.5 percent; Canada, 8 percent. Twenty-four countries, in all, will contribute to the third replenishment, including OPEC countries, Argentina, Brazil, Korea and India.

The Administration stated that the U.S. can make a useful contribution to improving the AFDF and expressed confidence that the U.S. "can work within the African Development Fund to encourage African countries in the direction of sound market-based strategies for development." Replenishment of the AFDF will also be helpful in carrying out the recommendations contained in the World Bank's report, Accelerated Development in Sub-Saharan Africa.

The Committee concurs in the Administration's judgment that U.S. participation in the third replenishment of the AFDF at the proposed level is "an important way of demonstrating this country's continuing commitment to Africa's economic growth and development." The Committe urges prompt enactment of S. 2398, as amended.

SECTION-BY-SECTION ANALYSIS

Section 1 amends the African Development Fund Act by adding a section to it authorizing appropriation of $150,000,000 as the U.S. contribution to the third replenishment of the Fund, but limiting the authorization of an appropriation for fiscal year 1983 to $50,000,000.

Section 2 provides that the bill shall take effect upon enactment, but provides that funds authorized to be appropriated by section 1 may not be made available before fiscal year 1983 begins.

COST ESTIMATE

In accordance with Rule XXVI, paragraph 11(a) of the Standing Rules of the Senate, the Committee provides the following estimate of the cost of S. 2398, as amended, prepared by the Congressional Budget Office:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., May 7, 1982.

Hon. CHARLES H. PERCY,
Chairman, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the following cost estimate on S. 2398, a bill to provide for increased participation by the United States in the African Development Fund, as ordered reported on May 6, 1982.

Should the committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

ALICE M. RIVLIN, *Director.*

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

MAY 7, 1982.

1. Bill number: S. 2398.

2. Bill title: A bill to provide for increased participation by the United States in the African Development Fund.

3. Bill status: As ordered reported by the Senate Committee on Foreign Relations on May 6, 1982.

4. Bill purpose: This legislation amends the African Development Fund Act, as amended, to authorize the appropriation of $150 million for a contribution to the African Development Fund.

5. Cost estimate:

Budget function 150

	Millions
Authorization amount:	
Fiscal year	
1983	$50
1984	50
1985	50
1986	0
1987	0
Estimated outlays:	
Fiscal year:	
1983	0
1984	1
1985	1
1986	13
1987	20

6. Basis of estimate: This estimate assumes enactment of this legislation by September 30, 1981, and subsequent appropriation of the authorized amount in three equal annual installments as planned by the Administration. Outlays were estimated using historical outlay rates.

7. Estimate comparison: None.

8. Previous CBO estimate: None.

9. Estimate prepared by: Joe Whitehill.

10. Estimate approved by:

C. G. NUCKOLS
(For James L. Blum,
Assistant Director for Budget Analysis.)

EVALUATION OF REGULATORY IMPACT

In accordance with Rule XXVI, paragraph 11(b), of the Standing Rules of the Senate, the Committee has evaluated the regulatory impact of the bill and has concluded that the legislation provides for no new regulatory activity.

CHANGES IN EXISTING LAW

In compliance with paragraph 12 of Rule XXVI of the Standing Rules of the Senate, the Committee notes that no changes in the existing law are made by this bill.

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